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In Putin's Shadow

Dmitry Medvedev's
presidency

Jadwiga Rogoża



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In Putin's Shadow

Dmitry Medvedev's presidency

Key points

1. Dmitry Medvedev's presidency was an experiment carried out by the Russian ruling elite. Medvedev, a member of that ruling elite, was 'anointed' to the highest state office, while the real power was supposed to remain in the hands of Vladimir Putin, who left the Kremlin and was appointed as Prime Minister, a post formally subordinate to the president. Even though the new president has been a loyal member of the ruling camp, this decision involved certain risk: his extensive constitutional powers could eventually encourage him to seek emancipation, which could have provoked internal conflicts and splits in the elite. However, the developments of Medvedev's presidency show that the ruling elite can consider the 'succession experiment' successful: it has brought the elite many benefits, especially in the economic sphere, while not resulting in any serious internal conflicts which would have undermined its position.

2. Throughout his presidency Medvedev acted as a loyal representative of Putin's elite. This was because Medvedev failed to overcome the restrictions imposed on him by the ruling elite at the start of his presidential term: he was unable to conduct an independent staffing policy, or gain access to the decision-making process concerning the economy (especially the distribution of assets). His rhetoric, which was often critical of the system of government formed by Putin, was not backed up by action, and the actions he took in fact reinforced this system. Also, Medvedev's modernisation rhetoric and his demonstrated openness to cooperation with the West conformed to the interests of the Russian government, and were meant to attract foreign investments and new technologies to Russia, which was facing an economic crisis and declining resource production.

3. A formal 'split' in the elite, along with President Medvedev's pro-modernisation image, became the catalyst to activate those groups in Russian society which had benefited from the economic growth, but felt that opportunities for further development were limited. These groups, which can be conventionally termed the middle class, began to call for a new social contract with the government. This new contract was supposed to civilise the relationship between the state and the society: reduce bureaucratic barriers and systemic corruption, and curb the arbitrariness of state bodies. However, President Medvedev failed to become a genuine ally to these groups. His real powers were limited, and more importantly, the interests of the aforementioned groups and of Putin's ruling elite (to which Medvedev has belonged) are at serious variance.

4. Despite Medvedev's loyal attitude towards the ruling elite, his presidency was limited to only one term, and the elite's leader Vladimir Putin has decided to return to the Kremlin. His return has not met with any serious resistance either in Russia or abroad: he remains Russia's most popular politician, and international partners, including foreign investors, regard him as the leader who will guarantee internal stability. Upon his return, Putin assumed the image of a strong, yet modern and modernisation-oriented political leader. After his inevitable victory in the presidential elections, he is likely to carry out limited economic reforms, as he did at the beginning of his first presidency in 2000. However, no systemic reforms, including political changes, should be expected; this will reduce the chances for any economic reforms to succeed, and will further impair Russia's competitiveness. The lack of systemic reforms may fuel intellectual ferment in the expanding middle class, whose activation may be regarded as the most tangible legacy of Dmitry Medvedev's presidency. A strict domestic policy may also increase the risk that certain hard-line nationalist groups, which act outside the official circuit and are clearly gaining momentum, will gain in strength.

Introduction

In March 2008, Dmitry Medvedev was elected president, and his predecessor Vladimir Putin took the post of Prime Minister. Putin's departure from the Kremlin can be deemed an exceptional experiment in Russia's recent history: the most influential politician and the leader of the ruling elite, who was at the peak of his popularity, chose to leave the most important state position, thus complying with the constitutional requirement (the number of presidential terms is limited to two in a row¹). The Russian ruling elite² thus chose not to change the constitution to prolong Putin's term of office, and instead devised a succession scenario under which the president's office was taken by Dmitry Medvedev, a close associate of Putin and a loyal member of the ruling elite. A new governance formula emerged in Russia – the ruling 'tandem', combined of Medvedev, who assumed the most important state office, and Putin who retained the greatest (albeit largely informal) influence in the ruling elite, Russian politics and the economy.

This paper examines the developments and results of the succession of power in the Kremlin. The question it aims to answer is whether the personal change in Russia's principal office of state has changed the system of government and the ruling elite's composition and policies. The paper analyses the criteria and objectives under which Medvedev was chosen

¹ Article 81, paragraph 3. This also means that a politician who had held the office for two terms (as Vladimir Putin has done) can legally return to the Kremlin after a break.

² The term 'ruling elite' is used in the text to describe a group of Vladimir Putin's close associates from the state administration, business and the institutions of force, who have major leverage on state policies. The structure of the elite is far from formal, and some of its members do not hold any public offices. Most of the elite's members were Putin's close associates from when he worked in the KGB (1975-1990) and in the St Petersburg mayor's office (1990-1996). Putin formed this elite during his presidency (2000-2008), and it is he who has retained the informal position of the arbiter and guarantor of the balance within the elite. For details, see Jadwiga Rogoża, *The power gained, we will never surrender. The Russian ruling elite versus the succession and economic crisis*. OSW Policy Briefs 19, 15 October 2009, www.osw.waw.pl.

to be president, his policies (especially their compliance with the interests of the elite which had 'anointed' him), and tries to outline the boundaries of President Medvedev's autonomy. The text also presents the attitude of politically active groups in Russian society towards his presidency. Finally, in the light of Putin's plans to return to the Kremlin, the paper concludes with the possible consequences thereof, and a reflection on the sustainability of the processes initiated during Dmitry Medvedev's presidency.

I. The succession operation of 2008: why Medvedev?

Dmitry Medvedev's presidency – as intended by its originators, the ruling elite led by Vladimir Putin – had three main objectives. Firstly, the change of president, as required by the constitution, was supposed to help maintain the ruling elite's democratic legitimacy. The second, crucial goal was to preserve the personal composition and economic influence of Putin's elite, for which the political system formed during Putin's presidency needed to be maintained. Thirdly, Medvedev's presidency (which coincided with the global economic crisis) was supposed to improve Russia's international image and demonstrate that it is a modern state, determined to modernise, open to cooperation and attractive to investors.

Medvedev's election as president was not a democratic process entailing political competition, but rather a behind-the-scenes decision taken by the elite which 'anointed' a loyal member from within itself to the presidency, and ensured public support for this decision. When choosing their candidate for president, the members of the elite were guided mostly by the contenders' **personal characteristics**. In the case of Medvedev, his advantages were his long-time relationship with Putin (since the early 1990s, Medvedev has repeatedly demonstrated his loyalty to Putin during their acquaintance), as well as his lack of clear leadership aspirations and attempts to play a leading role (Medvedev usually acted as a trusted executor of the tasks Putin set). Moreover, media publications indicate that the elite may possess information compromising Medvedev (possibly related to his activities in the 1990s³). This could have been another instrument of control over the president, as the risk of his emancipation

³ In the 1990s, Medvedev was a lawyer in the St Petersburg mayor's office, in the Committee for External Relations headed by Vladimir Putin. The Committee was repeatedly accused of concluding controversial foreign contracts. For details, see Jadwiga Rogoża, *The power gained, we will never surrender. The Russian ruling elite versus the succession and economic crisis*, *op.cit.*, p. 9.

and a consequent split in the elite was regarded as one of the main challenges to the succession project.

Despite a decisive victory in the first round of elections (70.3% of votes), the new president had in fact **very limited political autonomy**. To become president, Medvedev had to accept a number of informal arrangements and restrictions fettering him in his further actions and decisions, as well as an extensive system of (often unofficial) supervision over his actions. Vladimir Putin placed Medvedev into a **tightly controlled framework** by staffing the presidential institutions and ‘appointing’ Medvedev’s entourage, among other measures. Before the elections, Medvedev – as the candidate for president – had been ‘assigned’ a liberal support base that accompanied him throughout the campaign and election⁴. Among the politicians who found themselves in Medvedev’s ‘pool’ were Alexander Voloshin, a former head of the Presidential Administration, Leonid Reyman, minister of communications and a founder of the INSOR think tank, and the billionaire businessman Roman Abramovich. Following the elections, **Vladimir Putin staffed presidential institutions** with his trusted associates, who were not closely connected with Medvedev. Sergei Naryshkin was appointed head of the Presidential Administration, and most of the administration’s officials appointed during Putin’s presidency remained there. A similar policy was applied to the key institutions of force supervised by the president – Alexandr Bortnikov was appointed head of the Federal Security Service, and Nikolai Patrushev secretary of the Security Council. In the government, ministers who had been appointed during Putin’s presidency (and who headed those ministries which are subordinate to the president) retained their positions, including Foreign Mini-

⁴ Medvedev’s ‘liberal’ support was formed at the end of Vladimir Putin’s second presidential term, when the elite led by Putin were developing the succession strategy and considering possible candidates for successors. Many politicians, businessmen and media people – such as Reyman and Abramovich – who found themselves in Medvedev’s ‘pool’ were Putin’s close associates.

ster Sergei Lavrov and the Ministry of the Interior Rashid Nurgaliev⁵. Putin has weakened the new president's control over the parliament, assuming formal leadership of the United Russia party (which dominates the State Duma), and retained informal influence in the popular media⁶. Finally, as Prime Minister, Putin took over direct management of the government, and his extensive political influence significantly weakened President Medvedev's constitutional control over the cabinet.

Both Russian and foreign observers (especially in the West) were perfectly aware of the conditions under which Dmitry Medvedev began his presidency. The new president was perceived as a loyal member of Putin's elite, and at the same time as an official with limited potential for independent actions. Nevertheless, the mere fact that the core of the Russian decision-making process was split, even if only formally, brought forth a great deal of expectations that the new president would gradually expand the scope of his autonomy, which would entail reshuffles of personnel and possibly some change in Russia's policies. The main arguments quoted to support this point were the extensive powers of the Russian president, and the likelihood that any person holding this office would inevitably aspire to play a more significant role.

⁵ For details, see Jadwiga Rogoza, 'Vladimir Putin makes appointments to the government and the Presidential Administration', *Eastweek*, 14 May 2008.

⁶ One way in which Putin has retained influence in the media was through his close associate banker Yuri Kovalchuk, who has become the most influential media mogul in recent years, and now controls a number of TV channels (Ren-TV, NTV, Channel 5 and partly Channel 1, the most popular TV station in Russia), newspapers (the *Izvestia* daily, the *Zhizn'* tabloid), popular Internet media (Life News holding) and Russia's largest advertising agency Video International which sells television advertising.

II. An adjustment to Russia's image – from confrontation to cooperation

A symbol of Medvedev's presidency was his modernising rhetoric, which included appeals to build a modern state, and for the liberalisation and modernisation of the economy through the use of new technologies. The president's rhetoric was often aimed at the existing economic model: Medvedev criticised the excessive role of the state, the resource-oriented model of the economy, and systemic corruption. However, his rhetoric concerning the political sphere was far more conservative: Medvedev only declared a gradual and cautious pursuit of democratisation, without making 'revolutionary' changes or 'importing democracy' from abroad⁷.

This modernising rhetoric may indeed have been grounded in President Medvedev's personal beliefs. However, it is important that it was in line with the interests of the entire ruling elite, which acknowledged the **need to adjust Russia's image** and some of its policies, and Dmitry Medvedev became a credible representative of this adjustment. The need for 're-branding' was reinforced by the **global economic crisis**, which hit the Russian economy hard and exposed the risk posed by its dependence on the raw material markets.

In their search for new sources of income to supplement the existing ones (mostly generated by the raw material sector), the Russian ruling elite opted to attract **investments** and **new technologies** more dynamically; and those could primarily be offered by the Western world. Therefore, after years of a confrontational policy towards the West, Russia began to demonstrate its desire to improve mutual relations⁸. The confrontational anti-Western rhetoric was abandoned, along with the positioning of Russia

⁷ President Medvedev's economic and political agenda was best presented in his liberal manifesto 'Forward Russia' published on 10 September 2009 on the Gazeta.Ru website (www.gazeta.ru/comments/2009/09/10_a_3258568.shtml).

⁸ For details, see Marcin Kaczmarek, 'Foreign policy at the service of modernisation: old wine in a new wineskin', OSW Commentary, 1 September 2010.

as a self-sufficient 'energy superpower' which had been applied during the economic boom. Instead, the Russian government began strengthening the country's image as a **reliable partner for the West** in the international arena (especially in security issues) and demonstrating an **openness to cooperation**, including the limited admission of foreign investors to strategic sectors of the Russian economy (such as the energy sector). President Medvedev was the face of this new rhetoric, and his foreign visits (such as when he visited Silicon Valley in 2010) were meant to attract investors to Russia. The adjustment of the rhetoric and some of the policies resulted in a 'new opening' in international relations (the 'reset' in Russian-US relations; the Partnership for Modernisation with the European Union; improving Russian-British relations; resolving territorial disputes with Norway, etc.) as well as in intensifying cooperation with private investors, mainly Western energy companies (such as Total, BASF, ENI, and ExxonMobil), which have the technologies necessary to increase the production of energy resources⁹. Several foreign investors have also committed themselves to contribute to the planned innovation centre at Skolkovo, which the government has presented as a Russian equivalent of Silicon Valley.

A revision of official rhetoric could also be observed in domestic politics. The new line was meant to illustrate that **Russia was becoming a modern state**, seeking to democratise its political system. A reservation was made that this evolution should be slow, gradual and resistant to 'external interference'. In most cases, the change of rhetoric was merely a propaganda trick, and was not accompanied by any real change in the government's policy towards the political opposition and the NGO sector. However, there were areas wherein the state policy did undergo genuine evolution. One example of this evolution is the **de-Stalinisation of Russia's historical policy**: the government decided to cease propagating vindications for Stalin and his policy. Possibly, this approach was considered too controversial

⁹ For details, see Iwona Wiśniewska, 'Controlled opening-up of Russia's energy sector to foreign investors', *Eastweek*, 9 March 2011; Wojciech Konończuk, 'Rosneft's agreement with ExxonMobil on cooperation in the Arctic', *Eastweek*, 7 September 2011, www.osw.waw.pl.

(both abroad and in the Russian elites and society), while also being less and less effective in mobilising public support within Russia. This change was most actively personified by Medvedev, although Prime Minister Putin also publicly supported it; both politicians publicly admitted that the NKVD, under orders from the Stalinist authorities, had committed the Katyn massacre.

By and large, the adjustment in domestic politics has come down to a change in the atmosphere and tone of political discussions. This change was initiated by Medvedev and stood in contrast to Putin's attitude during his presidency, when groups which opposed the government were openly harassed. Medvedev has **loosened the restrictions of the public debate on political issues**, allowed for criticism of the government, and initiated a dialogue with groups that had been marginalised and ignored under President Putin, such as the political opposition, human rights defenders, and civil society activists involved in different protest movements.

The above-mentioned change in rhetoric, embodied by President Medvedev, helped to improve the atmosphere in dialogue with foreign partners and the Russian opposition and independent communities. However, in terms of Russia's real policies (both foreign and domestic), it only brought about a very limited change. Moscow has not abandoned its regional ambitions, especially in the area of the CIS, and it continues to treat the US as its geopolitical rival. Russia's invitation to cooperation contains clear indications that this cooperation should be **on Russia's terms**, and should be limited to business projects that would bring financial benefits to both parties. Moscow has stressed that this cooperation cannot entail Western interference in Russia's internal affairs or attempts to reform its economic and political model. Similarly, the initiation of dialogue with the Russian opposition and independent communities was used to neutralise their dissatisfaction with the government, and did not lead to any real concessions to their demands¹⁰.

¹⁰ This point is best illustrated by Medvedev's involvement in the dispute over the construction of the Moscow-St Petersburg highway running through Khimki, a suburb of

III. Medvedev does what he's told

An assessment of Dmitry Medvedev's presidency leads to a conclusion that his activity has served the interests of the ruling elite, primarily in the economic sphere. His decisions have often contradicted his own rhetoric, especially his demands to fight corruption, get rid of political leverage over the economy, and reduce the state's dominant role in the public sphere. This contradiction has accompanied Medvedev throughout his entire presidency: **in his rhetoric he advocated a change of the existing system of government, while in his actions he actually strengthened this system, or was merely a passive witness to this process.**

Many of the **political activities** undertaken by Medvedev in fact served the consolidation of the system of government formed by Vladimir Putin. One of the most important measures he took was the extension of the president and parliament's terms of office: the president's term was extended from 4 to 6 years (the next and successive presidents will be able to stay in power for 12 years), and the term of the State Duma deputies was increased from 4 to 5 years. President Medvedev has also endorsed the extension of the secret services' powers to monitor the public (including the activities of the opposition and civil protest actions). The crucial role of these services in controlling the political and social situation has been maintained during Medvedev's presidency¹¹.

Moscow. Khimki residents and environmentalists had protested for several years against the designated route of this highway, as it required felling a large part of the Khimki forest. After the protest escalated and the issue received a great deal of publicity (especially on the Internet), Medvedev ordered a halt to the construction of the highway and organised public consultations on this matter. These decisions partially relieved the social tension. However, several months later construction was resumed (with minimal corrections to the initial plans), and the consortium that constructed the highway (whose shareholder is Putin's close associate Arkady Rotenberg) has appealed to the state for extensive compensation for the downtime.

¹¹ For details, see Piotr Żochowski, Prezydent Miedwiediew potwierdza rolę resortów siłowych w zarządzaniu państwem (available in Polish only), 8 February 2010, www.osw.waw.pl.

The **governance practice** that developed in Putin's presidency has also been maintained during Medvedev's term. It is this practice, and not the country's constitutional legal framework, that is the key element of Russian reality. The main elements of this practice are the following: secretiveness in making major decisions; strict control over the political and economic sphere (the electoral process, economic decisions, acquisition of assets); and the use of the parliament and the judiciary, which are formally independent from the executive, in the interests of the elite. This **practice remains unchanged despite legislative amendments** initiated by the president, whose declared goal was the democratisation of political and economic life. The scope of these amendments was very limited and they were implemented inconsistently, which has reduced their effectiveness to almost zero. The best illustration of this point is the **electoral process** in Russia: despite President Medvedev's initiative to adopt a package of amendments designed to support smaller parties and gradually eliminate controversial electoral procedures (such as the early voting), the overall electoral practice has remained unchanged. During elections at all levels, electoral tampering occurs in favour of United Russia, the 'party of power': the party is supported by federal and local authorities, big business and important media, and favoured by the electoral commissions. Also, the Russian opposition, despite Medvedev's invitation to dialogue, is still persecuted in practice – opposition politicians are harassed by the courts, the Prosecutor's Office and the police, while state institutions refuse to officially register opposition parties, which excludes the latter from participating in elections¹².

In the **economic** sphere, President Medvedev has had clearly limited room for manoeuvre. PM Putin retained the real control over the economy, an illustration of which has been the ongoing, spectacular economic expansion of his close associates' businesses. Putin's decisive role in the eco-

¹² In June 2011, the Ministry of Justice refused to officially register the Parnas Party, formed by the well-known opposition politicians Boris Nemtsov, Vladimir Milov and Vladimir Ryzhkov.

conomic sphere has been respected by foreign investors¹³. In this situation, most of Medvedev's economic agenda has been general and vague (the reduction of the state's role in the economy, the fight against corruption), and has not brought any tangible results. Moreover, even some of the specific economic demands and orders issued by Medvedev showed that his formal powers did not correspond with his ability to implement them¹⁴. Medvedev's presidential term was a period when Putin's elite continued its **spectacular acquisition of assets** and contracts on very attractive terms. Among those whose businesses demonstrated the most remarkable expansion in 2008-2011 were some of Vladimir Putin's close associates: the oil trader Gennady Timchenko¹⁵, the banker Yury Koval-

¹³ It was Vladimir Putin (rather than Medvedev) who was consulted on the investments of foreign companies in Russia: Total of France (the agreement between Total and Novatek was signed in March 2011 at Putin's residence) and the US oil giant ExxonMobil's cooperation with Rosneft (the agreement signed in August 2011 in Putin's presence). Both of the aforementioned Russian companies which partnered with foreign companies are controlled by Putin's close associates (Novatek by Gennady Timchenko, and Rosneft by the deputy Prime Minister Igor Sechin).

¹⁴ The president's orders were often distorted by the manner of their implementation. One example of this was the president's order (March 2011) to remove members of the government (except for the Prime Minister) from the boards of directors of state enterprises, and to replace them with independent directors. As a result, the outgoing officials sought to appoint their trusted associates to their positions, which would enable them to retain control over the operation of these companies. Medvedev's demand to liquidate the state corporations (*goskorporatsii*, the structures set up by Vladimir Putin at the end of his presidency, which control huge state assets while having considerable autonomy) was also ignored. Only one of eight state corporations was transformed into a joint stock company, three years after President Medvedev had voiced this demand.

¹⁵ In 2009, Gunvor, a company controlled by Timchenko took over assets in the oil transportation sector (a 50% stake in a company constructing the Novorossiysk oil terminal), the energy sector (acquisition of Stroytransgaz, the second largest company constructing pipelines, including the BTS-2) and the gas sector (increasing the stake in the Novatek gas company, the takeover of a large gas deposit on the Yamal peninsula), and several oil deposits. Gunvor also took over several important foreign assets: in the oil trade sector (the Castor Petroleum oil trader which supplies oil to the US) and insurance sector (the German insurance company Sovag). In 2010, Novatek took over two gas companies in succession (Severenergiya, Sibneftegaz), and obtained a licence to export the extracted

chuk¹⁶ and the Rotenberg brothers¹⁷ who operate in the gas and construction industry. Medvedev remained a **passive witness to this expansion**. Most of the described activities did not require the president's formal approval, as they were carried out under the appearances of market principles (for example, the assets were sold in auctions). However, in some cases Medvedev was forced to 'countersign' some economic decisions, including those he publicly opposed (as an example, in 2008 he signed a decree listing the assets of Rostekhnologii state corporation, even though Medvedev himself had appealed for the liquidation of state corporations, and had tense relations with Rostekhnologii head Sergei Chemezov).

LNG and the right to participate in the distribution of profits from LNG with Gazprom. In June 2011, Novatek was granted exemption from taxation on gas extraction in the Yamal deposit, while Gunvor completed the construction of an oil-product terminal in Ust-Luga. For details, see Wojciech Konończuk, 'Making money on the crisis in Russia: the case of Gennady Timchenko', OSW Commentary, 28 December 2009.

¹⁶ In 2010, Kovalchuk's company was granted a federal license to construct the Moscow-Minsk highway. Through the Leader management company, Kovalchuk took control over Gazprombank, which allowed him to increase his leverage in the banking sector (in 2010 he carried out a merger with Gazenergoprombank) and in the media sphere (Gazprombank controls many popular media assets, including NTV channel and Ekho Moskv radio, for details see footnote 6).

¹⁷ In 2010, Stroygazmontazh, a company controlled by the Rotenbergs, procured a \$3.5 billion contract to construct the Gryazovets-Vyborg gas pipeline on Gazprom's order, and in 2011 the company became the general contractor for the construction of the Nord Stream pipeline. In March 2011 Stroygazmontazh took over Gazprom's subsidiary Gazprom-Burenie (according to experts, at a price several times lower than its market value). The Northwest Concession Company, owned by Arkady Rotenberg, is constructing the first section of the Moscow-St Petersburg highway in partnership with the French company Vinci. The Mostotrest company, owned by the Rotenberg brothers, procured contracts for building Olympic facilities in Sochi and sports facility in St Petersburg worth \$100 million. Companies controlled by the Rotenbergs are also continuing to expand in the liquor industry.

IV. The middle class: great expectations gone awry

The change in the President's rhetoric, his consent to political discussions, and especially his appeals to modernise the country and reduce the excessive role of the state, raised – especially at the beginning of Medvedev's presidency – great expectations of changes in those groups in Russian society whose interests conflicted with the system devised by Putin.

Over the past ten years, a group has evolved within Russian society that owes its successes (material and other) to the country's economic development, as well as its own initiative and entrepreneurship. This group can be conventionally termed the **middle class**¹⁸, and it includes people running small and medium-sized businesses, intellectuals (including representatives of the academic world, the media and arts), various types of professionals and managers, and even some officials, especially of the younger generation. To some extent, many Russians of the younger and middle generations who aspire to join the middle class can also be ranked with this group. This group is far from being compact or homogeneous, but its members are united in their aspirations to **reduce the state's domination in the public sphere** (including the economy), to increase social control over the government (including the reduction of systemic corruption as well as the lawlessness and impunity of state bodies), and to reduce the numerous bureaucratic and administrative barriers that hamper public entrepreneurship and opportunities for promotion. The middle class is much less focused on demands for political changes, although its members increasingly often admit that their demands cannot be met without systemic reforms. Representatives of this group stress that the

¹⁸ Depending on the criteria adopted, experts estimate the size of the middle class as anywhere between 7 million people, i.e. 5% of the population (Tatiana Maleva, director of the Independent Institute of Social Policy, Evgeny Gontmakher, expert of the INSOR think tank) to 28 million people, i.e. 20% of the population (Institute of Sociology of the Russian Academy of Sciences).

current system of governance does not promote initiative and entrepreneurship, but rather sees any active attitude as a threat to the decision makers. The middle class are convinced that the beneficiaries of the current model of the state include, on the one hand, the ruling elite and the affiliated groups, and on the other, the multitude of poor and passive citizens, who see material support from the state budget as the only chance to improve their lives¹⁹.

Medvedev's presidency saw the activation of the aforementioned groups and the public expression of their demands. One of the things that proved extremely conducive to this process was the Internet: for people who consider themselves middle class, the web is the most important source of information, communication and coordination of their activities²⁰ (in today's Russia, over 40 million people have daily access to the Internet). An important role in voicing the middle class's expectations was played by prominent representatives of the intellectual elites, including experts associated with Medvedev (primarily the INSOR think tank and its head Igor Yurgens). These expectations come down to demands for a **new 'social contract' with the government**, as the previous 'social contract' formed under Vladimir Putin's presidency (stability and improvement of living standards after the chaos and economic problems of the 1990s, in exchange for public support for the government's policy) has been wearing thin. Now, in a situation of relative political and economic stability,

¹⁹ For details, see Lev Gudkov (director of the polling agency Levada Centre), 'Novogodniy balans: bez budushchego', *Vedomosti*, 12 January 2011; Dmitry Oreshkin, 'Beg. Pochzemu uyezzhayut iz Rossii?', *Novaya Gazeta*, 30 January 2011.

²⁰ The most interesting example of this is the activity of the well-known lawyer and blogger Alexei Navalny, who has for several years now investigated and publicised cases of corruption in state-owned companies. In early 2011 Navalny created the Rospil.info website, which is exclusively devoted to anti-corruption activity: he has employed lawyers to investigate state tenders which are suspected of corruption. The website is supported by internet users who send information on alleged cases of corruption. This activity is financed exclusively from contributions raised from Internet users. According to Rospil.info, Navalny and his colleagues have so far managed to stop embezzlement amounting to \$255 million.

the middle class is seeking to renegotiate these terms: to make the system of government more flexible (including the creation of political representation for the middle class, independent of the government), to broaden the extent of individual freedoms for the active groups, to increase the possibilities for social mobility and allow them to act independently of the government, to strengthen free market institutions (free competition, protection of private property) and the independent judiciary.

Despite Medvedev's engagement in the dialogue with the representatives of the middle class and his repeated demands to modernise Russia, his activity has been increasingly critically judged as his presidency has proceeded. In the opinion of the middle class, the president's declarations have not produced any tangible results, and the gap between his modernisation rhetoric and undemocratic practice is deepening. Over time, Medvedev has been increasingly perceived as a politician who lacks autonomy and is unable to oppose Putin's elite, which is unwilling to make any concessions to the middle class. Even though the development of this group would stimulate Russia's long-term economic development²¹, it collides with the actual (and undeclared) priorities of the ruling elite. Should the middle class develop more dynamically, many new groups unrelated to the government would appear in Russia and try to defend their interests, for example by seeking to create independent political representation. In the mid-term perspective, this could lead to the emergence of an economic and political alternative to the current ruling camp.

Meanwhile, the **'white collar' workers' growing disillusionment** with Medvedev has exacerbated negative social and economic trends such as capital flight (after a wave of big oligarchic capital leaving Russia, we are

²¹ Tatiana Maleva, director of the Independent Institute for Social Policy, 'Umnye i bogaty'e', *Novaya Gazeta*, 31 January 2011: 'The middle class and its closest social environment can take on the solution of many economic problems. To be able to do this, they do not need financial transfers, they need institutions. This will require certain expenditures, but they should not be seen as a financial burden but as social investments, and if used rationally, they will boost Russia's efficiency and productivity.'

now witnessing the flight of medium-sized capital²²), emigration to the West (most of the emigrants are active citizens who are disappointed with the lack of prospects in today's Russia – especially younger, well-educated people, coming from big cities and often running their own businesses²³). Pessimism and concerns about the prospects for Russia's development are growing, which is most evident in Moscow and other big cities²⁴. They are accompanied by ferment among intellectual elites and an ever more open criticism of the Russian system of government during Medvedev's presidency, which is seen as a continuation of Putin's system. Even those experts who cooperate with the government stress the need for changes. A report released in March 2011 by the Centre for Strategic Research (a think tank advising PM Putin) warned the government against the loss of its legitimacy and the risk of a political crisis if current policies are continued, especially if the electoral process is tampered with²⁵.

²² The Central Bank of Russia reports that capital of a total value of \$38.3 billion escaped from Russia in 2010 (one and a half times more than the Bank had forecast). The reasons for this increase are the worsening investment climate, deeply rooted corruption and uncertainty as to the prospects for economic development. These negative trends were exacerbated by Mikhail Khodorkovsky's second trial. The renowned Russian economist Vladimir Mau has pointed out that the current capital flight is not caused by oligarchs transferring money abroad, but by people with average incomes who are 'exporting' their medium-sized savings. For details, see Anastasia Bashkatova, 'Kapitalnyi otskok na Zapad', *Nezavisimaya Gazeta*, 14 January 2011.

²³ According to the Accounts Chamber, 1,250,000 people have left Russia in recent years (for details see www.nr2.ru/moscow/318989.html). Sociologists point out that this wave of emigration is dominated by representatives of the middle class, disappointed by the gloomy prospects (See Dmitry Oreshkin, *op.cit.*). Vladimir Mau points out that the emigration of the intellectual and business elites to the West is one of the greatest challenges to Russia's further development ('Proshlyi god - god nervicheskogo uspokoyeniya', *Vedomosti*, 20 January 2011).

²⁴ 58% of Russian citizens declare that they do not feel protected by the law (in Moscow this number rises to 73%). See Lev Gudkov, *op.cit.*

²⁵ *Krizis na porogye*, a report by the Centre for Strategic Research, www.csr.ru, 28 March 2011.

V. Medvedev's presidency: a missed opportunity to gain independence

While holding the office of President, Dmitry Medvedev has not overcome the restrictions imposed on him at the start of his presidential term by his predecessor, and has not significantly expanded the scope of his autonomy. Medvedev has not created a consolidated support base for himself; nor has he gained influence on economic issues such as the distribution of assets. Finally, Medvedev has failed to initiate any major changes in Russia's domestic policy that would be in line with his declarations of modernisation.

As president, Medvedev had some margin of freedom within the unwritten **'division of labour'** between him and Prime Minister Putin. The President's sphere of responsibility was Russia's foreign policy; Medvedev represented the state in its relations with foreign partners, conducted negotiations and signed international agreements, including the new START treaty with the U.S. on the reduction of strategic nuclear arms. At the same time, the main directions of his activity were in line with the interests of the entire ruling elite (such as Russia's 'new opening' to the West), which may suggest that they had been discussed and consulted within the elite. In the case of 'non-standard' decisions, discrepant from the government's previous stance or going against the interests of the elite (such as Russia's stance on Libya²⁶), the President's activity and statements provoked disputes and polemics, including with Vladimir Putin.

²⁶ Several large Russian companies associated with the ruling elite had business in Libya, including Gazprom, Russian Railways and arms industry companies. During the vote on the UN Security Council resolution on Libya in March 2011, which sanctioned the use of force against that country, Russia abstained from voting, thus allowing the resolution to be adopted. This was an untypical action, given that Moscow had previously vetoed similar projects. This resolution was publicly criticised by PM Putin (and several other Russian politicians), and Medvedev in turn deemed Putin's words 'unacceptable'.

As head of state, Medvedev was **formally entitled to make key state decisions**. However, the nature of his decisions within these fields (i.e. their concurrence with the interests of the ruling elite) suggest that many of them had been consulted with other members of the elite. One illustration of this point may be the process of replacing the regional governors, which has accelerated under President Medvedev. In the case of the most important Russian governor – the mayor of Moscow Yuri Luzhkov, who had ruled Moscow for almost 20 years – Medvedev dismissed him, but was unable to appoint his ‘own man’ to this position; the newly appointed mayor is in fact a close associate of Putin, Sergei Sobyenin. During Medvedev's presidency, minor reshuffles occurred in the ruling elite (a few of its members have been marginalised, such as Viktor Cherkesov and Sergei Pugachev²⁷). But these did not result from Medvedev's actions, and were rather a reflection of personal and financial conflicts within Vladimir Putin's entourage.

Many of Medvedev's formal presidential powers have remained on paper only. The President has never exercised his right to make staff reshuffles in the government, though he has repeatedly suggested that he was very critical of individual ministers²⁸. Medvedev has almost never used his right of veto²⁹. During his presidency, the practice of organising weekly cabinet meetings chaired by the President was abandoned (this practice

²⁷ Cherkesov fell into disgrace after he described the internal conflicts in the secret services in a newspaper article in the autumn of 2007, provoking Vladimir Putin's public displeasure. In the case of Pugachev (a banker and owner of shipyards), his companies experienced economic problems, and the lack of help from the state financial structures (including the Central Bank) should be treated as an expression of Vladimir Putin's will, as the Prime Minister is in control of Russia's financial sector.

²⁸ The only minister who left the government was the minister of agriculture Alexei Gordeyev, whom the President appointed governor of the Voronezh oblast; however this cannot be treated as a case of a dismissal of a minister criticised by Medvedev.

²⁹ An exception was Medvedev's veto (in November 2010) of the parliament's amendments to the Law on Assembly, which imposed significant restrictions on the organisers of demonstrations and rallies. However, the law was soon re-voted and passed in an almost unchanged form, and signed by Medvedev.

was introduced during Putin's presidency; Putin often used these meetings to publicly blame the prime minister and individual ministers for economic and social problems). In addition, many formal orders by President Medvedev were garbled or not implemented at all (see footnote 14), which provoked him to public outbursts of frustration. Moreover, Medvedev has **failed to create his own personnel resource base**. His opportunities to fill important state positions with 'his people' were extremely limited: he has only succeeded in appointing a few of his associates to minor positions in the Presidential Administration³⁰. Especially at the beginning of his presidential term, Medvedev's supporters were joined by liberal economists, businessmen, media people, experts and human rights defenders (for details see 'Medvedev's entourage'). However, they never became a consolidated team; Medvedev's supporters were rather a loose group of individuals attracted by the president's modernisation-oriented declarations, while their personal views were often much more liberal than those of Medvedev himself. Most of them had very limited leverage on the situation in Russia, and their declarations of support for the president were often accompanied by high expectations, including of change in the ruling camp's policies.

³⁰ 'Medvedev's people' in the Presidential Administration included Konstantin Chuychenko, who was appointed head of the Control Directorate (Chuychenko had previously worked in Gazprom and RosUkrEnergo), the presidential aide Arkady Dvorkovich (during Putin's presidency Dvorkovich was deputy minister of economic development and head of the Expert Group in the Presidential Administration), the president's press secretary Natalya Timakova (during Putin's presidency she was head of his press service office) and Sergei Dubik, the head of the Presidential Directorate for Civil Service and Personnel Board (appointed in 2001). It should be stressed, however, that all the aforementioned politicians began working in the state administration under President Putin (2000-2008).

‘Medvedev’s entourage’

Konstantin Chuychenko – head of the Control Directorate of the Presidential Administration (PA)

Arkady Dvorkovich – presidential aide (PA)

Natalya Timakova – president’s press secretary (PA)

Sergei Dubik – head of the Directorate for Civil Service and the Personnel Board (PA)

Anton Ivanov – chairman of the Supreme Court of Arbitration

Sergei Mavrin – vice-president of the Constitutional Court

Alexandr Konovalov – minister of justice

Nikolai Vinnichenko – presidential envoy to the North-Western Federal District

Igor Yurgens – head of INSOR think tank (Institute of Contemporary Development)

Gleb Pavlovsky – political scientist, electoral adviser, head of the Foundation for Effective Policy

Alexandr Voloshin – former head of the Presidential Administration, currently overseeing the establishment of an international financial centre in Moscow

Anatoly Chubais – head of the Rosnano company

Tatyana Dyachenko, Valentin Yumashev – members of Boris Yeltsin’s ‘Family’ group, who enjoyed great political influence in the 1990s

Konstantin Remchukov, editor-in-chief of the *Nezavisimaya Gazeta* daily

Businessmen who have supported Medvedev:

Roman Abramovich, Alexandr Lebedev, Alisher Usmanov, Suleyman Kerimov

Medvedev has failed to create or promote a political party which could have acted as his personnel and electoral support base. Moreover, since the spring of 2011, several people from his entourage who publicly expressed their support for Medvedev's candidacy in the upcoming presidential election (as an alternative to Vladimir Putin's candidacy) have been subjected to harassment³¹. The lack of Medvedev's political autonomy has been increasingly highlighted in public debate; many of his previous supporters have expressed disappointment with the president, as he has been closely monitored and controlled by Putin's elite³².

Medvedev's **rhetoric of modernisation**, which was often critical of domestic affairs (including Russia's system of government and economic model) **cannot be equated with his emancipation** from Putin's control, nor with any conflict between himself and Vladimir Putin, who created this system. What seems likely is that Medvedev's 'liberal narrative' was permitted by other members of the ruling elite, including Putin himself.

³¹ The presidential electoral adviser Gleb Pavlovsky, who explicitly appealed for Medvedev's re-election and criticised Vladimir Putin, was dismissed from his position of adviser to the president, and his Foundation for Effective Policy, which had existed since 1995 and provided electoral support for the government, was forced to close. The banker Alexandr Lebedev was forced to sell most of his assets under the pressure from the Federal Security Service. The former chairman of the Federation Council Sergei Mironov, who also supported Medvedev, lost his position and also had to step down as the leader of the Just Russia party, which was being harassed by the government.

³² In 2011, in an open letter published in the *Vedomosti* daily (27 July 2011) entitled 'The president must make up his mind', Igor Yurgens and Evgeny Gontmakher expressed their dissatisfaction with the lack of results of many Medvedev's declarations. They also criticised Medvedev and Putin's repeated declarations that 'when the time is right', they will decide together which one of them would run in the next presidential election. Gleb Pavlovsky, who favoured Medvedev's re-election, concluded that Medvedev 'is a nobody': he lacks his own support base and refrains from conducting his own electoral campaign, driven by loyalty towards Putin (*Nezavisimaya Gazeta*, 8 May 2011). The former president of the USSR Mikhail Gorbachev, who also openly supported Medvedev, admitted that the incumbent president is 'erudite, a good lawyer, but he lacks grit, we can see his weakness, Putin does not allow him to expand' (interview for Ekho Moskv, 23 July 2011).

Back in 2007, when Medvedev was still a candidate participating in the election campaign, his liberal and modernising rhetoric were made a key element of his image, which was sanctioned by Putin and his entourage. Moreover, most of Medvedev's declarations remained on paper, and were not identified with his own desires or the possibility of implementing them. It is also worth noting that Medvedev's rhetoric has not been consistent throughout recent years, resulting from his dependence on the current interests of the Russian elite. Even though his rhetoric on foreign affairs and security issues had a more cooperative tone (compared to Vladimir Putin's declarations), during the Russian-Georgian war Medvedev acted as a 'hawk' and used aggressive anti-Western language.

Despite his extensive constitutional powers, Medvedev has remained the **weaker link of the 'asymmetric tandem'** throughout his entire presidency, which once again shows the scale of Russia's institutional weakness and the **impact of informal mechanisms**. Informal relations and arrangements within Putin's entourage proved much more important than constitutional provisions and legal framework. Due to this, members of Putin's elite with modest formal powers and sometimes no public functions at all (such as Gennady Timchenko, Yuri Kovalchuk, and the Rotenberg brothers) enjoyed spectacular financial expansion and remarkable effectiveness in lobbying legal changes that benefited them. Despite holding the key office of state, Dmitry Medvedev never became a genuine, full-fledged decision maker in major political and economic matters. Vladimir Putin has retained the position of the ruling elite's leader, and has repeatedly demonstrated that it is he who will take the decisions concerning the forthcoming presidential elections.

VI. What will be left after Medvedev? What will Putin bring?

Vladimir Putin is the ruling elite's candidate in the upcoming presidential elections in March 2012. He also remains the leader of this elite and the one who holds it together. Putin has conducted an intensive public campaign since spring 2011, and has presented himself as an 'iron-handed' politician, who at the same time is concerned with society's needs and comprehends the modernisation challenges facing Russia. Since Medvedev's presidency will be limited to one term, the question is whether any of the actions he has taken in the last four years will bring sustainable effects; and on the other hand, what will the consequences be of Vladimir Putin's return to the most important office in Russia.

Medvedev's presidency differed from his predecessor's policies not so much in essence (Medvedev's policies were largely a continuation of Putin's, and were in line with the interests of the same ruling elite), as in **form and style**. Medvedev's trademark was his **more conciliatory attitude** (in foreign and domestic affairs) and his **modernisation-oriented rhetoric**, stressing Russia's determination to become a modern state. This rhetoric is likely to be employed further by the Russian government, to support its efforts to attract Western investments and new technologies, and to strengthen Russia's economic cooperation with the West, especially in the light of the possible next wave of the economic crisis and recession in the coming years.

A measurable and enduring 'legacy' of Medvedev's presidency – albeit one possibly unintended by the president himself – may be the process of **'activating' Russian society** (see Chapter IV), which accelerated thanks to the modernisation rhetoric used by Medvedev, and discussions about the need for the changes he has initiated and given his consent to. However, the activist groups have been disappointed with the results of Medvedev's presidency. Recent years have seen an increase in the number of voters who claim they have no political representation, who support neither Putin nor Medvedev, nor any official political party participating in the coming parliamentary elections. These groups' demand for the ex-

change of elites will increase. The ferment in these groups has been further fuelled by the government's electoral strategy in the upcoming parliamentary and presidential elections: the pursuit of full control over the electoral process, and the elite's inability to carry out a more flexible policy that would take into account the diverse political sympathies of the Russian public, and would permit at least partial autonomy for the political parties which participate in the election. The mechanisms of political competition in Russia remain blocked, which makes the chances of any official political rivals to the ruling camp emerging over the next few years rather minute. However, in the longer term, the discontent of the middle class and business elites with the government's policy is likely to rise, and the interests of the narrow ruling elite and other players may come into increasing conflict. The government's determination to maintain full control over the official political scene may also increase the risk of strengthening of those groups that now remain outside the official circuit, such as the nationalist groups which have been gaining popularity in recent years.

The return of Vladimir Putin to the presidency is not encountering any serious obstacles, either in Russia or abroad. Public support for Putin is high (he remains Russia's most popular politician), while the 'discontented' groups have as yet limited social potential. Russia's foreign partners, including investors, also perceive Putin as the **leader and guarantor of Russia's internal stability**, which translates into the stability of cooperation with Russian business partners (most of whom are Putin's associates). Putin's return is being accompanied by a wide-ranging propaganda campaign, depicting him as a modern and modernisation-oriented politician who is determined to take the necessary measures of reform. Upon his return, Putin may indeed carry out some limited economic reforms, as he did at the beginning of his first presidency in 2000. This image may also be exploited externally; the Kremlin is likely to seek further cooperation with foreign partners, also through economic partnerships with Western investors, who may become lobbyists for Russia's good relations with the West. At the same time, the new-old president is likely to continue the domestic policy he conducted in 2000-2008, and seek to control the domestic political sphere.

Despite this seeming stability, Putin's presidency may face several major challenges in the next few years. First, a second wave of **economic crisis** and a decline in energy resource prices is projected in the near future. This would be a serious challenge for the Russian economy, which survived the first wave of the crisis (2008-2009) largely due to the financial reserves which it had previously accumulated. Another wave of the crisis – and even more so, a significant and continuing decline in energy resource prices – might hit Russia hard (its financial reserves are now substantially reduced) and force it to confront the need to undertake unpopular reforms of public finances, such as cuts in social expenditures or the arms industry's budget. Activities like these may bring negative political consequences – exacerbate social discontent, undermine the government's popularity, and generate conflicts for resources among the members of the ruling elite.

Another challenge to Putin's presidency may be the **weakening of the ruling elite's legitimacy**. Electoral fraud has become much more evident over recent years, as has been regularly highlighted by independent activists and the media, primarily the Internet (almost 1/3 of Russians use the Internet daily). Awareness of electoral manipulation is already widespread³³, and fuels discontent in the politically active part of the Russian public, while the so-called negative electorate (those who will not vote for any of the officially registered candidates or parties) is growing ever larger. The government's weakened legitimacy may become an additional factor undermining its position if Russia's economic difficulties exacerbate. However, it is now difficult to predict who could take advantage of any such possible weakness: could it be the modernisation-oriented middle class, or the populist and nationalist groups who are gaining momentum, and whose activity is also directed against the government?

Jadwiga Rogoża

³³ According to the survey conducted by the Levada Centre on 28 July 2011, 53% of respondents expressed their conviction that the coming parliamentary elections would be merely an imitation of an election, and that the seats in the Duma would be distributed in accordance with the government's decisions.

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